

FISCAL NOTE

SB 1442 - HB 1374

March 21, 2005

SUMMARY OF BILL: Authorizes the governor to establish a state executive formulary committee to construct a state preferred drug list (PDL). The formulary would apply to all pharmacy purchases within the Department of Mental Health and Developmental Disabilities, state group insurance programs, the Department of Correction, nursing homes under Medicaid, medical assistance portion of the TennCare waiver, and any other pharmacy purchases designed by the Department of Finance and Administration. The Department of Finance and Administration would contract with a Pharmacy Benefit Manager to administer certain drug programs for the State and to provide information to the committee to assist in the development of the PDL.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

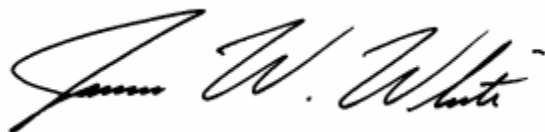
Other Fiscal Impact – To the extent the governor establishes a state executive formulary committee, there could be an increase in state expenditures exceeding \$200,000 resulting from the Department of Finance and Administration hiring a pharmacy director, support services for the committee, and a contract with a Pharmacy Benefit Manager.

Assumptions:

- The Department of Finance and Administration will assume direct responsibility for pharmacy purchases within the state employee health plans.
- The Pharmacy Benefit Manager contract will include performance goals and financial incentives on recommendations for the PDL.
- A preferred drug list in which multiple entities with significant drug purchases participate could reduce the cost of drugs not only for drugs on the PDL but also for other drugs, which are manufactured by companies with drugs on the PDL.
- If there is a change in the amount of discount the Department of Health is receiving through state contract amounts or Federal Public Health Pricing amounts, the formulary committee will work with the department to keep the lower price prescriptions available.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director